

Message Text

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INFO AMCONSUL HONG KONG

AMEMBASSY PHNOM PENH

AMEMBASSY SAIGON

AMEMBASSY VIENTIANE

C O N F I D E N T I A L PARIS 22479

E.O. 11652: GDS

TAGS: PFOR, FR, VN, VS, CB, LA, CH

SUBJECT: QUAI VIEWS ON INDOCHINA SITUATION

DEPARTMENT PASS USLO PEKING

REF: A) PARIS 17840 B) VIENTIANE 5821

SUMMARY: QUAI DIRECTOR FOR ASIA, FROMENT MEURICE, THOUGHT THAT THERE HAD BEEN LITTLE CHANGE IN THE SOUTH VIETNAMESE SITUATION, BUT IT HAS BECOME INCREASINGLY APPARENT THAT THE GREATEST PROBLEM FACING THE GVN MIGHT BE ECONOMIC DIFFICULTIES, NOT MILITARY OR POLITICAL THREATS. LITTLE CHANGE WAS EVIDENT IN THE CAMBODIAN SITUATION EITHER; AND THE FORM OF A SETTLEMENT WAS STILL NOT EVEN SUGGESTED BY THE COMMUNIST SIDE. ONLY LAOS APPEARED TO BE ON THE "RIGHT ROAD" TOWARD A WORKABLE SETTLEMENT DESPITE THE ABORTIVE COUP DE FORCE ON AUGUST 20. END SUMMARY.

1. SOUTH VIETNAM. QUAI DIRECTOR FOR ASIA FROMENT-MEURIC CALLED IN EMBOFF AUGUST 21 FOR ATOUR D'HORIZON ON
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DEVELOPMENTS IN INDOCHINA SINCE THE LAST EXCHANGE JUNE 27

(REF A). F-M THOUGHT THERE HAD BASICALLY BEEN LITTLE CHANGE IN THE VIETNAM SITUATION. IT SEEMED CLEAR THAT THE DRV/PRG DID NOT INTEND A MAJOR MILITARY EFFORT IN THE FORESEEABLE FUTURE, AND DID NOT ANTICIPATE ANY SIGNIFICANT POLITICAL DEVELOPMENTS. THE COMMUNISTS' FIRST PRIORITY CONTINUED TO APPEAR TO BE CONSOLIDATION OF A PRG-CONTROLLED AREA THROUGH CONSTRUCTION OF ROADS AND INTRODUCTION OF POLITICAL, SECURITY AND ECONOMIC CADRE FROM THE NORTH.

2. AS FOR THE GVN, IT SEEMED THAT THE ARVN COULD KEEP THE MILITARY SITUATION UNDER CONTROL. THIEU ALSO APPEARED TO BE FIRMLY IN POLITICAL CONTROL OF THE GVN APPARATUS. HOWEVER, ECONOMIC DIFFICULTIES MIGHT UPSET GVN STABILITY. INFLATION AND COLLAPSE OF ECONOMIC REFORM MEASURES SUCH AS THE VALUE ADDED TAX PROGRAM WERE MERELY THE INDICATORS OF DEEPER ECONOMIC PROBLEMS. U.S. SUPPORT FOR THE WAR HAD ACCUSTOMED THE SOUTH VIETNAMESE TO A FORM OF CONSUMER ECONOMY WHICH COULD NOT BE SUPPORTED BY THE AGRICULTURAL BASE OF THE COUNTRY. THE MILITARY AND CIVILIAN APPARATUS SUPPORTED BY THE GVN WAS INORDINATELY LARGE FOR THE COUNTRY AND ITS ECONOMY PARTICULARLY IN PEACETIME. ONLY THE U.S. COULD PROVIDE A SUFFICIENT AMOUNT OF AID TO SUPPORT SUCH A SYSTEM, AND EVEN IF THE QUANTITY OF AID WERE AVAILABLE, IT WAS QUESTIONABLE WHETHER THE FORM OF THE U.S. AID COULD ACCORD WITH THE PEACETIME REQUIREMENTS OF SVN. F-M THOUGHT THAT THE DRV AND PRG WERE BASING SOME OF THEIR HOPES FOR THE FUTURE ON THE INABILITY OF THE GVN TO RESOLVE THE ECONOMIC PROBLEMS. CONTINUING ECONOMIC DIFFICULTIES WOULD PRODUCE SOCIAL DISTURBANCES AND POPULAR DISAFFECTION FROM THE GVN WHICH WOULD PROVIDE THE COMMUNISTS WITH A FAVORABLE SITUATION FOR POLITICAL ACTIONS.

3. FM INDICATED THAT THE ABOVE ANALYSIS RESTED ON THE MISOFFE STUDIES OF THE GVN SITUATION, AS WELL AS REPORTING FROM SAIGON, AND WOULD INFLUENCE THE THINKING OF THE GOF WHEN IT DECIDED ON ITS AID PROGRAMS FOR THE GVN. EMBOFF AGREED THAT INFLATION WAS INDEED A PROBLEM, BUT WE CONFIDENTIAL

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THOUGHT THAT THE VIETNAMESE ECONOMY WOULD BE MORE VIGOROUS AND ADAPTABLE THAN PESSIMISTIC OBSERVERS THOUGHT. AID FROM THE U.S. AND OTHER COUNTRIES WOULD ASSIST THE GVN IN MAKING A TRANSITION WHICH WOULD NOT BE WITHOUT DIFFICULTIES, BUT WOULD AVOID THE EXTREME PROBLEMS WHICH THE COMMUNISTS COULD SUCCESSFULLY EXPLOIT.

4. CAMBODIA. F-M SAW LITTLE IMPROVEMENT IN THE

CAMBODIAN SITUATION. HE HAD BEEN PUZZLED BY THE KC REDUCTION OF THEIR MILITARY PRESSURE ON PHNOM PENH, BUT THOUGHT THAT PRESSURE WOULD BE RESUMED WHENEVER THE KC WERE MATERIALLY ABLE TO DO SO SINCE HE HAD SEEN NO CHANGE IN GRUNK INTENTIONS. F-M THOUGHT THAT PEKING WOULD LIKE TO SEE THE ONFLICT COME TO AN END SOON, BUT IT WAS NOT YET CLEAR HOW THEY WOULD EXPECT THIS TO OCCUR EXCEPT THROUGH THE RETURN OF SIHANOUK. ONLY SIHANOUK APPEARED TO HAVE THE AUTHORITY WHICH COULD SURMOUNT THE DIVISIONS WITHIN THE COMMUNIST AND NON-COMMUNIST SIDES AND MAKE AN APPEAL TONATIONALISTS ON BOTH SIDES. F-M HAD HEARD (APPARENTLY FROM SON SANN AND OTHERS) OF THE REDUCTION IN SIHANOUK'S APPEAL, PARTICULARLY TO THE YOUTH, BUT ONE COULD SEE NO ONE ELSE ON THE HORIZON ON EITHER SIDE WHO IN HIS PERSON COULD MAKE UP FOR THE IDEOLOGICAL AND ORGANIZATIONAL CHAOS ON BOTH SIDES. IN SUM, F-M SAW NO PROSPECTS FOR A CAMBODIAN SOLUTION, BUT THOUGHT THAT PERHAPS CHOU EN-LAI MIGHT BE ABLE TO ENVISAGE A SOLUTION TO A PROBLEM WHICH OTHERS COULD ONLY PARTIALLY COMPREHEND.

5. LAOS. F-M THOUGHT THAT EVEN BEFORE THE AUGUST 20 ABORTIVE COUP, LAOS WAS MOVING FAIRLY RAPIDLY TOWARD THE SIGNATURE OF THE PROTOCOL AND THE FORMATION OF THE NEW GOVERNMENT. HE ASKED FOR OUR VIEW OF THE EFFECT OF THE COUP ON THE NEGOTIATIONS AND EMBOFF SUGGESTED THE POSSIBILITY THAT IT MIGHT IMPROVE THE CHANCES FOR REACHING A COMPROMISE BY MAKING CLEAR THE UNIVERSAL SUPPORT FOR SOUVANNA'S POSITION AS OPPOSED TO "RIGHTIST" OPPOSITION TO A POLITICAL SETTLEMENT. IN ADDITION, THE COUP ATTEMPT MIGHT REMIND THE LPF OF THE DANGERS OF PUSHING SOUVANNA TOO HARD (REF B). F-M THOUGHT THAT A NEW GOVERNMENT IN WHICH A COMMUNIST (SOUPHANOUVONG) CONFIDENTIAL

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WOULD BE THE FOREIGN MINISTER WOULD INJECT A NEW ELEMENT INTO THE INDOCHINA SITUATION. HE THOUGHT THAT AS DEPUTY PRIME MINISTER (AND OCCAISONALLY AS ACTING PRIME MINISTER) SOUPHANOUVONG WOULD BE IN A GOOD POSITION TO BE SOUVANNA'S SUCCESSOR, A DEVELOPMENT WHICH HE THOUGHT SOUVANNA ALREADY HAD IN MIND. STONE

NOTE BY OC/T: NOT PASSED USLO PEKING.

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